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April 30, 2008

**WEST VIRGINIA BULLETIN NO:** WV440-8-2

**SUBJECT:** PGM- Adjusted Gross Income (AGI) Certifications for Conservation Programs Managed through ProTracts.

**Purpose:** To provide guidance on handling Adjusted Gross Income (AGI) certifications for conservation programs managed in ProTracts and actions needed to help participants comply with AGI requirements.

**Expiration Date:** This bulletin expires September 30, 2008

**Background:** Audits reveal that NRCS is deficient in processing AGI certifications for conservation program eligibility. Some participants receiving program benefits as a member of an entity or joint operation have not filed Form CCC-526 to confirm AGI compliance. NRCS has not reduced payments commensurate with this situation. This bulletin lists actions appropriate for communicating to applicants and participants the correct information needed to meet AGI requirements.

ProTracts now blocks payment to business participants where eligible member shares are less than 100 percent. A new Fund Manager report which enables field employees to locate AGI eligibility issues is also in place. A ProTracts enhancement scheduled for release May 7, 2008 will apply "commensurate payment reduction" for AGI ineligible member shares on business participants.

NRCS must not obligate any pending program contract with AGI-related problems without first informing participants of the impact of ineligibility and providing the opportunity, with agency support, to resolve AGI-related problems. We will take the following actions:

- A. **Inform Applicants** – Advise program applicants that AGI "Not Filed" or ineligible status will result in reduction of scheduled payments commensurate with the AGI-ineligible ownership shares. Provide the opportunity for applicants to file Form CCC-526 or help resolve any other AGI ineligibility issue prior to obligation.
- B. **Fund Manager Diagnostic Reports** – Use of this report before obligating new contracts is essential. The standard preapproval notification letter is being edited and will be released in ProTracts to inform business applicants of unresolved AGI issues.
- C. **ProTracts Internal Controls** – On May 7, 2008, ProTracts will be fully aligned with AGI requirements in order to provide users and clients with calculated reduction amounts based



upon current AGI eligibility. Messaging will be added to various screens and ProTracts-generated forms. These improvements will help agency staff inform applicants of the need and opportunity to resolve AGI related issues, and/or to provide the correct information regarding expected commensurate reductions to payments.

**Contract Payments** – NRCS must not allow full program payment to business participants with AGI-ineligible members. AGI certifications will be documented in ProTracts for the year the contract obligation was made. If payments are blocked in ProTracts due to ineligibility issues, participants must be provided the opportunity, with agency support, to resolve their AGI-related problems.

**Investigate Payment Blocks** – Help participants with a blocked payment, resolve AGI-related problems by diagnosing which member(s) have an AGI issue and what deficiency exists. All NRCS employees have access to the Farm Service Agency “Subsidiary Database” and should locate the participant’s current certification for the business and its members. The Web-based database is accessed at: <https://indianocean.sc.egov.usda.gov/Subsidiary/Subsidiary.do>

**Summary of AGI Assessment** – Each office has been informed of contracts where AGI-ineligible members were found for business participants. The primary AGI deficiency is a failure of all business members to file Form CCC-526. Place priority on follow-up with active contracts where filing of the certification form will remedy the eligibility problem. If one or more of the business members are indeed “ineligible,” provide information about the commensurate reduction that will be enforced on future payments.

**C. Reports and Internal Controls** – On May 7, 2008, Protracts will begin applying the commensurate reduction protocol to all EQIP and WHIP payments. Use the Fund Manager report to generate a list of contracts which will incur a future payment reduction. Enhancements to ProTracts will supply the details of the commensuration reductions that enable NRCS staff to help participants resolve their AGI issues. Changes to the Form NRCS-CPA-1245 (Payment Application) will also communicate AGI-related payment reduction to the participant.

If you need further assistance or have questions, please contact JR Wolfe, FB Specialist at (304) 284-7583 or Bill O’Donnell, ASTC-Programs at (304) 284-7543.

/s/

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